Building Foundations for Cooperative Behavior Through U.S. Foreign Aid

Robert B. Hawkins, Jr.

Why do crime levels decrease in a government housing project located in one poor Indianapolis neighborhood but not in similar surrounding neighborhoods? Why do Nepalese farmers in self-governing systems consistently outperform their government-managed projects?[1] Why have Turkish fishermen been able to govern inshore fisheries for two-hundred-plus years when theory and conventional wisdom would suggest they should fail?

The answers to these questions: In Indianapolis a group of women decided to constitute themselves as a self-governing community for the purpose of converting government housing into cooperatively owned housing. In Nepal farmers in self-governing irrigation systems spend more time on building civic capital as the foundation of their capacity to govern their own irrigation systems than do their counterparts in government-managed systems. In Turkey necessity has driven inshore fishermen to develop their own systems of governance to protect and enhance a renewal of a common resource and their own well-being.

All three of these examples have a common denominator: they are based in cooperative behavior and are prone to high levels of conflict when the institutional structures of cooperation fail or are absent. Housing projects in many inner cities are known as killing zones for drug wars, to say nothing of rampant crime. Allocation of water in irrigation systems in developing countries, especially for those at the end of water canals, is often done through force and open conflict rather than through agreed-upon and enforceable rules. Finally, the temptations of fishermen to overuse their common resource is often so strong that cheating and force take precedence over self-regulating rules.

The question I am addressing is, should or must these voluntary self-constituting communities be the foundation of any strategy that will succeed in dealing with the causes of conflict and the resolution of conflict? Around the world a revolution is ongoing: communities of men and women are taking control of their lives and building institutions for productive action. Through action they answer this question in the affirmative, asserting that cooperation is better than force and conflict. This is a movement of hope.

To witness these activities one generally has to look to the underground economies or the informal sector, for few are the direct result of formal enabling acts or state policies. This forces us to ask *why?* Does the growth of the informal sector or the underground economy represent a proxy for system failure? Does it represent policy failure? Is it a warning signal of societies prone to conflict?

---

[1] For an excellent study of this subject see Wai Fung Lam, *Governing Irrigation Systems in Nepal: Institutions, Infrastructure and Collective Action* (San Francisco: ICS Press, 1998).

In all the examples above there is conflict, to be sure, but it is resolved through structures that have been crafted and modified by those who govern them. I take it as a given that building strong, vibrant civil societies as well as diverse self-governing local public economies is an important constituent in building cooperative behavior as well as preventing force-driven conflict.

Yet the barriers to focusing U.S. development policy, to say nothing of building self-governing approaches in developing countries, are Herculean at best.

Hidden Assumptions

I would like to start with what I consider to be the some of the key policy givens that in the past have been associated with the creation of predatory states that are a primary cause of conflict.

Let me start by quoting a principle that I think underpins our interests. It is from Vincent Ostrom's new book, *The Meaning of Democracy and the Vulnerability of Democracies:* "Democracies are at risk when people conceive of their relationships as being grounded in command and control rather than on principles of self-responsibility in self-governing communities of relationship."[2] The world is replete with risks that are grounded in governments where accident and force, rather than reflection and choice, fast become ways of life.

If one wants to reduce these risks the conventional answer is that one should build democracies where individuals have standing as citizens to become social and political entrepreneurs in building a vibrant civil society. Yet the common policy prescription is to look to "one man one vote" solutions as a viable way to reform rogue states. Deep beneath this policy prescription is another policy accepted by most in the development business: the state. Since the end of World War II state-building has been a cardinal principle of U.S. foreign aid and foreign policy. If one of the arts of foreign policy is statecraft, it is hard to practice this art without states.

Yet it seems to me that any serious examination of how to prevent or remedy the causes and effects of conflict must take a hard look at policy prescriptions based on statism and governmentalism. This is particularly true of the Agency for International Development (AID), where building strong states with the capacities to provide services to satisfy basic human needs has been a cardinal design principle. Although AID and other agencies talk the language of decentralization and building civil society, we see few results of truly self-governing institutions emerge. What we see is the building of interest groups that can get the state to respond. Yet the policy question is, do our state-building assumptions create more conflict than they solve in the long run?

Thinking About Alternatives

So what would the alternatives look like? We need to know so we can begin to array the options to assess their capabilities and limitations. The place to start to think about alternatives is

[2] Vincent Ostrom, *The Meaning of Democracy and the Vulnerability of Democracies: A Response to Tocqueville's Challenge* (Ann Arbor: University of Michigan Press, 1997), 4.

federalism. If one thinks of federalism as intergovernmental relations and decentralizing program authority to state and local governments, one has already taken a conceptual turn that has a 99.1 percent probability of being a dead end.

What the modern age has forgotten is that federalism, at least our variety, was first and foremost a political theory of citizenship. The modern rendition of Hamilton's self-governing presumption in *Federalist One* is to consider whether societies of men and women can choose good government through reflection and choice, or whether they must depend on accident and force to produce their constitutions.[3]

Can we answer this question positively through our policy instruments? I would suggest that a positive answer must build on how people relate to one another in addressing the day-to-day issues of life. Face to face, small self governing efforts are just as (or more) important in building a democratic way of life and resolving conflict as one-man-one-vote or majority rule. Again Vincent Ostrom is helpful. He states, "Person-to-person, citizen-to-citizen relationships are what democratic societies are all about. Democratic ways of life turn on self-organizing and self-governing capabilities rather than presuming that something called 'the Government' governs."[4]

Now the importance of this to conflict resolution is that if you look at most cases of conflict, say in our inner cities, what you find is institutional poverty. By that I mean that the citizens in these communities have very little authority to be self-organizing. The authority or power to be self-organizing politically has been centralized into cities, states, and the federal government. Instead of a local public economy we have a grants economy where citizenship has been reduced to two roles: voting and consumption of services. Also missing are rooted organizations that have the self-interest and capacity to negotiate settlements with other groups and governments that possess the attributes of a win-win game of conflict resolution.

Designing Alternatives

If we want to build the civil and self-governing capacities of developing countries as a strategy for conflict resolution, how do we do it? After just having left a century that can be characterized as one of centralization of governments, professions, and industry, where do we begin to build small-scale enterprises? New-age information gurus like Gilder and Toffler argue that the information age offers powerful forces for decentralization, yet they provide few road maps of how to get there.[5]

I would suggest that a good starting guide is Alexis de Tocqueville in *Democracy in America.* He argued that the new age of democracy would only succeed to the degree that it developed a new political science—one based on a science of association. I take this to mean that we must replace the science of statecraft and hierarchical management with a science of democratic association

[3] J. E. Cooke, *The Federalist* (Middletown, Connecticut: Wesleyan University Press, 1961), 3.
[4] Ostrom, op. Cit., pp. 3–4.
[5] George Gilder, *Microcosm: The Quantum Revolution in Economics and Technology* (New York: Simon and Schuster, 1989) and Alvin and Heidi Tofler, *Creating a New Civilization: The Politics of the Third Wave* (Atlanta: Turner Publishing, Inc., 1994).

and a new theory of public administration that is public and democratic. What does this mean? Let me outline a set of design principles that lead us in a new direction—a direction that could have profound impact on conflict resolution.

Supporting Citizens as Citizens

In my three introductory examples we see citizens playing roles of much more than consumers of government services or mere ratifiers of electoral contests between competing elites. If we look closely we see citizens creating their governing institutions and then governing their affairs. Even the poorest of citizens can become creators of publicness in their own institutions.

In the age of centralization we have forgotten that local citizens built America through what can be called local public economies. Among the engines of development were thousands of special districts: fire, water, school, and rural electrification districts that were governed by local citizens. A rich array of state and federal enabling acts were built on the fundamental notion that local citizens were capable. So there is no question of capacity. [6]

It can be argued that self-governance is a basic human capacity and a basic human need. This capacity is also the wellspring for fundamental human development. To deny people the right to develop this capacity is a violation of equity and is sure to marginalize communities. It will ultimately lead to high levels of cynicism and alienation and will certainly become a source of conflict. The Catholic principle of subsidiarity most strongly argues that to deny people the right to do those things they are capable of is also a moral violation. I make these statements because to build a new foreign policy on the principles of citizenship and self-governing communities would be a fundamental shift.[7]

Underwriting Constituting Processes Is Critical

Let's start with what many practitioners of the self-governing art know to be critical to the likely success of any venture. In my work in housing projects what I call the constituting processes are the most important—those processes that allow individuals to come together and develop a shared consensus about values and purposes. Sustained reflection and discussion are key to building trust and shared understanding, the two bedrock values that allow consensus to emerge, decisions to be made and sustained, and reciprocity—the lifeblood of politics—to deepen. We learned from experience that you cannot manage until you can govern. [8] These constituting processes are local constitutional processes; they are the ways a community builds a fundamental commitment to a set of core values. Their downside is that they take time, which, in an impatient policy world, is a negative. Yet there is no substitute if you want local people to govern and

---

[6] See Robert B. Hawkins, Jr., *Self-Government by District: Myth and Reality* (Stanford: Hoover Press, 1979). For an excellent study of the California water industry and public entrepreneurship see William Blomquist, *Diving the Waters* (San Francisco, ICS Press, 1992).

[7] See Bruno V. Manno, "Subsidiarity and Pluralism: A Social-Philosophical Perspective" in *Toward Vatican III: The Work That Needs to Be Done,* ed. David Tracy, Hans Kung, and Johann B. Matz (New York: The Seabury Press, 1978).

[8] Stephen Cornell and Joseph Kalt, ed., *See What Can Indian Tribes Do? Strategies and Institutions in American Indian Economic Growth* (Los Angeles: American Indian Studies Center, 1993). In their study the authors find that the self-governing capacity of a tribe is closely associated with successful economic development.

produce important local services. There exists guidance from good research on how to think about these processes. In *Crafting Institutions for Self-Governing Irrigation Systems* Elinor Ostrom draws from extensive research eight design principles that can aid local citizens in building self-governing institutions.[9]

There is, of course, a formal side to these constituting processes. The constituting processes ultimately assign rights, duties, and responsibilities. The voting rules provide a formal means through which communities ratify their consensus. From these constitutions and voting rules come bylaws, laws, and regulations that allow communities to monitor and enforce their decisions. What cannot be stressed enough is that in healthy communities these two processes are merely different sides of the same coin. Where one is missing we face serious issues of institutional failure and conflict.

You Must Link Character and Institutions

How people think about and view opportunities is determined in part by the institutions they have lived in and under. To tell local groups that have lived within highly centralized societies in developing countries that they have the capacity, right, and responsibility to live in self-governing communities is to utter words that simply have no basis in reality. To develop new ways of thinking about such opportunities requires that we focus on the enabling environment. Let me provide an example. When the U.S. Congress passed Project HOPE in 1987, it for the first time conveyed authority to citizens in government housing projects to create resident management corporations with the added authority to convert these projects into cooperative tenant-owned developments. This one act changed the ground rules of association, how tenants would relate to local housing authorities, local politicians, and public-sector unions. For the first time residents saw an opportunity to solve real problems using their own resources. This is also an excellent example of how people's character, how they think and act, can be influenced and changed through a change in the institutional structure. The Laurelwood Resident Management Corporation in Indianapolis has a reason to become actively involved in reducing crime in its development and neighborhood. Unfortunately, thirteen years after Project Hope was launched, only two out of over one thousand demonstration projects are nearing homeownership.

Focus on Enabling Environments

In creating Project HOPE the Congress in all its wisdom did not change the institutional incentives in the Department of Housing and Urban Development to facilitate and reward public administrators and local housing authorities who succeeded in assisting resident management corporations in moving toward homeownership. It is unrealistic to think that the AID could implement a new approach to building civil societies without a clear set of policies—policies that would create powerful incentives for states in developing countries to expand public authority so

[9] Elinor Ostrom, *Crafting Institutions for Self-Governing Irrigation Systems* (San Francisco: ICS Press, 1992), 69–75. Ostrom outlines eight principles that guide successful self-governing enterprises. They are: clearly defined boundaries, benefits exceed costs, collective-choice arrangements, monitoring, graduated sanctions, conflict-resolution mechanisms, minimal recognition of rights to organize, and nested enterprises. While there is no hierarchy to these principles, I would put recognition of rights to self-organize near the top of any set of priorities for developing a broad-based movement toward self-governance.

that self-governing experiments could emerge from the choices of citizens in local communities. This would also require that the U.S. State Department recognize that it is in its own self-interest to move from almost a blind acceptance of states toward building systems of governance to solve both local problems and regional conflicts. I would presume that at this time there is little consensus in the United States on the aims or means of our foreign policy, which suggests to me that we need a national discussion on new approaches.

Build Local Knowledge and Patience into Your Policy Designs

In the heady development days after World War II, state-building was joined with excessive pride in the potential of the social sciences to provide the types of information necessary to reach high levels of development. In *Seeing Like a State* James Scott echoes what most practitioners of development know: local knowledge plays an indispensable role.[10] The problem with local knowledge is that it is lumpy, discrete, contextual, and difficult to into abstract concepts capable of quantification. Built from years of experience, it is based on trust, reciprocity, and mutuality of interest. To know the capabilities of local leaders, to understand a community's social and political dynamics, or to know the various aspects of a problem requires that development specialists become immersed in the local community. And if the constituting processes are key to political development, we are talking time frames that far exceed the three-to-four-year assignments of most development officers.

Small is Not Always Beautiful

While we have neglected at our peril the critical role that small enterprises play in both the public and private sector, we should not become blinded to the necessity of larger systems. A small-scale irrigation system must be associated with other public enterprises that deal with water basin issues, large-scale wholesalers of water, and national policies that seek to rationalize the use of water. The issue is how these small-scale enterprises can be partners in negotiated solutions in which their self-organizing authority is not compromised. There is a fundamental principle of organization involved here: people and communities will only invest their scarce political and social resources in activities when there is a clear return. A key to stakeholding is that stakeholders have sufficient authority and rights to participate with a high probability of return. All too often this principle is violated.

There is also a second issue that must be addressed: hierarchy. All order depends on recourse to ordering principles that have hierarchical aspects; even a system of law favoring private property sets priorities. In *The Chalice and the Blade* Riane Eisler recommends that we distinguish between "dominator hierarchies" and "actualization hierarchies," which I think points us in the right direction in thinking about how we must change policy development and the structure of public affairs in development activities.[11] This implies key involvement of national and regional levels of governance, but with a different role. How do these levels develop enabling acts and administrative strategies that facilitate the emergence of self-governing communities of interest, with real capacities to solve real problems?

---

[10] James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Failed* (New Haven: Yale University Press, 1988). See particularly Chapter 9, "Thin Simplifications and Practical Knowledge: Metis."
[11] Quoted from Ken Wilber, A Theory of Everything, (Boston, Shambhala, 2000) p.25.

Create a New Public Administration

Rather than blindly following the Weberian model of hierarchical administration we should begin to create a practical, democratically centered public administration. The key principle of that administration would be to build the capacity of citizens and communities to reflect, choose, manage, and change their governing institutions. In short, we need a public administration that builds citizens and then self-governing communities.[12] To do that we must change the reward and incentive structures that public servants live within. Since these new functions take longer periods of time and are dependent on vast amounts of local knowledge, we should lengthen the tours of duty of AID officials commensurate with the natural time frames of democratic development.

Threats

Just as we have guidance from good research, we know from that research and experience that there are systematic threats to communal self-governance. Let me mention two that Elinor Ostrom has found to be systematic: blueprint thinking and overreliance on external supporters for funding. National administrations love blueprinting approaches; they are systematic and "efficient." Yet blueprint thinking or the cookie-cutter approach assumes uniformity of condition, which can never be met in our diverse world without coercion and force. More importantly, applying one-solution-fits-all destroys the critical constituting processes that allow communities to build consensus around approaches to solving local problems. It also introduces a weakness into nascent states that must and should deal with the diversity found in most developing countries.

Overreliance on external funds likewise short-circuits local political processes and can create in communities factions that are hard, if not impossible, to overcome. Most importantly, they short-circuit the investment of human resources so necessary to building legitimate political responses to problems.[13]

Thinking About Application

It seems clear that this approach has little application when conflict has already broken out, as in the case of Rwanda. Yet two interesting questions are suggested. First, was a major cause of the conflict in Rwanda that the formal government boundaries so violate the natural social self-governing boundaries that the only way to maintain the appearance of a government in control was force? Second, were self-governing solutions a critical part of the settlement process? Wal Duany shows in his work with the Neur that many of their conflicts were constitutional: old understandings about the use of grassing and water holes had broken down, and after a forty-

[12] See Vincent Ostrom, *The Intellectual Crisis of American Public Administration* (Tuscaloosa: University of Alabama Press, 1989).
[13] Footnote forthcoming.

five-day constitutional convention of sorts, a new set of rules was at least able to solve that portion of the conflict.[14]

In the case of rebels in Nepal, the interesting question is whether its self-governing irrigation systems are a model and foundation for seeking ways to resolve the conflict for the long term.

Great Promise: From Weak States to Strong Systems of Governance

As paradoxical as it may seem, much conflict may be the result of weak states rather than strong systems of governance. Many states are so devoid of legitimate political authority that they are threatened to the point of conflict by individuals and groups making legitimate claims for representation and public authority to govern their lives. The challenge is how to expand public authority in developing countries by expanding diverse local self-governing enterprises, and how to make it understood that this strategy is a win-win approach for all concerned.

If one is willing to stop seeing like a state and instead look at success models for solving conflict at the grassroots level, one can see models and approaches that hold out great promise. Yet to incorporate these approaches and their lessons in a general strategy of conflict resolution means we will have to unlearn a great deal of what we think we know. We will also have to overcome the entrenched resistance of most existing states and multi-interests that benefit from the existing structure.

To start this process we should consider the following:

1. A sustained national debate on how to change our foreign policy and development assistance in a changing world. Can we ask and answer the question: how can we design foreign assistance to reduce the overall level of conflict before it begins? Redesign the foreign assistance act to create powerful incentives for both AID and host countries to build truly self-governing local institutions should be a major question of any redesign.
2. Redefine the reward structure for AID civil servants to a more political-public role.
3. Support research that builds our understanding of how local self-governing institutions are designed and how they operate, creating a practical base of knowledge that can then be used in our development efforts. Essential to such research is understanding how democratic initiative has failed in the past.
4. Leadership will be a key element in determining the success of a new civic building effort. Toward this end AID should consider creating a leadership institute that trains both AID professionals and local leaders in the knowledge and art of self-governance. Only when we build a solid base of local leaders who understand and practice self-governance will we be able to make real progress in transforming weak states into strong systems of governance capable of resolving conflicts.

[14] Wal Duany, *Neither Places nor Prisons: The Constitution of Order Among the Neur* (Ph.D. diss., Indiana University, 1992).